# STATE OF DELAWARE OFFICE OF AUDITOR OF ACCOUNTS

# CHRISTINA SCHOOL DISTRICT

# **ACCRUED LEAVE PAYOUTS**

SPECIAL INVESTIGATION

AND INDEPEN

FIELDWORK END DATE: APRIL 9, 2009

# R. THOMAS WAGNER, JR., CFE, CGFM, CICA AUDITOR OF ACCOUNTS

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#### State of Delaware Office of Auditor of Accounts R. Thomas Wagner, Jr. – CFE, CGFM, CICA

### At a Glance

#### Working Hard to Protect YOUR Tax Dollars

#### Why We Did This Review

The Office of Auditor of Accounts (AOA) received the following hotline allegations regarding Christina School District (District):

- 1. Noncompliance with the District's leave accrual and payout policy.
- 2. Unaccountable time and improper leave reporting.

#### **Background**

The District is Delaware's largest public school system, serving approximately 17,000 students. The District offers a comprehensive educational program designed to meet the needs of students of all abilities and interests. The District values diversity, safety, pursuit of excellence; and providing a caring, supportive setting for students to learn.

# For further information on this release, please contact:

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#### **ACCRUED LEAVE PAYOUTS**

#### What We Found

- Four administrators received overpayments in retirement/termination pay totaling \$25,544. The District's controls identified one of the overpayments in the amount of \$8,967 and received reimbursement from the employee.
- The incorrect retirement/termination pays were calculated by one employee of the District.

#### What We Recommend

The District should:

- Request reimbursement from the employees; and
- Contact the Department of Education (DOE) to determine the appropriate course of action for repayment to DOE for State funds.

Please read the complete report for a full list of findings/recommendations and to review the District's response to our findings.

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# **AUDIT AUTHORITY**

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

- 1. Whether all expenditures have been for the purpose authorized in the appropriations;
- 2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
- 3. All illegal and un-businesslike practices;
- 4. Recommendations for greater simplicity, accuracy, efficiency, and economy; and
- 5. Such data, information, and recommendations as the Auditor of Accounts may deem advisable and necessary.

# ALLEGATION AND BACKGROUND

#### **ALLEGATION**

The Office of Auditor of Accounts (AOA) received the following hotline allegations regarding Christina School District (District):

- 1. Noncompliance with the District's leave accrual and payout policy.
- 2. Unaccountable time and improper leave reporting.

#### **BACKGROUND**

The District is Delaware's largest public school system, serving approximately 17,000 students. The District offers a comprehensive educational program designed to meet the needs of students of all abilities and interests. The District values diversity, safety, pursuit of excellence; and providing a caring, supportive setting for students to learn.

# OBJECTIVES, SCOPE, & METHODOLOGY

#### **OBJECTIVES**

The objectives of the investigation were:

- 1. To determine the propriety of leave accruals and payouts.
- 2. To determine the propriety of time reporting for employees working from home.

#### **SCOPE**

The investigation was performed in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations*.

The scope of the investigation included a review of leave accruals and termination payouts for the period of July 1, 2007 through January 31, 2009.

#### **METHODOLOGY**

Investigative techniques included:

- Interviews and inquiry.
- Inspection and confirmation of documentation.

# **CONCLUSIONS**

Allegation		Results of Testing	Conclusion
Noncompliance with	the	Based upon the allegation specifically identifying administrators as receiving improper	Substantiated
District's leave accrual	and	accrued leave payouts upon retirement/termination, AOA reviewed and tested detail	
payout policy.		supporting payments to 100% of administrators that received accrued leave payouts	
		upon retirement or separation from the District during the period of July 1, 2007	
		through December 31, 2008. In addition, AOA reviewed and tested detail supporting	
		33% of the total dollar value of payouts for teachers that received accrued leave payouts	
		upon retirement or separation from the District.	
		AOA determined that 32 administrators received retirement/termination pay totaling	
		\$540,771 during the period of July 1, 2007 through December 31, 2008. Four of the administrators received overpayments in retirement/termination pay totaling \$25,544.	
		The District's controls identified one of the overpayments in the amount of \$8,967 and	
		received reimbursement from the employee. For the remaining three overpayments,	
		AOA determined that one employee of the District incorrectly calculated all three of the payments.	
		AOA determined that 62 teachers received retirement/termination pay totaling	
		\$392,954.33 during the period of July 1, 2007 through December 31, 2008. Per testing	
		of 15 teachers with retirement/termination payments of \$128,868, AOA did not identify	
		any errors in the District's calculation of the payment.	
Unaccountable time	and	AOA determined the District does not permit employees to work from home. If an	Unable to conclude.
improper leave reporting.		employee is not on site, the employee is required to submit a leave slip. AOA reviewed	
		leave records for snow days during Calendar Year 2009 and determined that many	
		District employees submitted leave slips. Due to minimal information given in the	
		allegation (specific location and name of employee), AOA was unable to proceed	
		further with this allegation.	

# FINDINGS AND RECOMMENDATIONS

#### Finding #1 – Incorrect Retirement/Termination Payments

#### Criteria

District procedures require that annual leave balances be reduced by the amount of leave taken during the fiscal year. This reduction should be reflected in retirement/termination calculations.

#### Condition

The District improperly calculated retirement/termination pay for four employees totaling \$25,544. District controls identified the error and received reimbursement for one of the employees totaling \$8,967; however, the District was unaware of the remaining three overpayments that totaled \$16,577.

#### Cause

The employee that calculated the retirements/terminations failed to reduce leave balances by the actual leave taken during the fiscal year. Either there was a lack of supervisory review and approval of the calculation, or the approval process failed to identify the error.

#### **Effect**

Incorrect calculation of leave balances resulted in overpayments to retired/terminated employees totaling \$25,544 of which \$8,967 was reimbursed by one employee.

#### Recommendation

The District should:

- Request reimbursement from the employees; and
- Contact the Department of Education (DOE) to determine the appropriate course of action for repayment to DOE for State funds.

#### **Auditee Response**

Based on the nature of the allegation, the Auditor's Office elected to review 100% of the Administrators who received leave accruals and termination payouts for the period of July 1, 2007 through January 31, 2009. In addition, a 24% sampling (33% based on dollar value) was performed on the second targeted group, teachers that received retirement/termination pay for the same period.

The finding identified four (4) occurrences of miscalculations performed in August 2007 (1), February 2008 (2), and July 2008 (1). The July 2008 error was previously identified by the District, and corrected. The AOA determined that the calculation error was identical and performed by the same individual. All four miscalculations were for Administrators; none were discovered in the second target group.

The District is in agreement with the finding. The total unresolved overpayment is \$16,576.89. The State portion of this overpayment was \$13,253.41. The District will contact the Department of Education regarding our repayment of this amount.

# DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

#### **Executive**

The Honorable Jack A. Markell, Governor, State of Delaware

#### Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

#### Other Elective Offices

The Honorable Joseph R. Biden III, Attorney General, Office of the Attorney General

#### Other

Dr. Lillian Lowery, Secretary of Education, Department of Education

Dr. Freeman Williams, Interim Superintendent, Christina School District

Mr. David Resler, Vice President, Christina School District, Board of Education